

2006 Instructions for IR-25

City of Columbus
Income Tax Division

Individual Return

The City of Columbus administers the municipal income tax for Columbus, Brice, Canal Winchester, Groveport, Harrisburg, Marble Cliff and Obetz. If you are working or living within these areas, you are liable for the income tax. These instructions are applicable to Columbus and all municipalities listed for which Columbus administers the tax. The enclosed forms are not to be used for filing tax returns for municipalities not listed above.

If you have any questions about completing any of our forms and/or need tax forms, please call (614) 645-7370. **All forms and instructions are also available on-line at www.columbus-tax.net.**

General Instructions

TABLE 1 Columbus Administers for:

Columbus	2%	Harrisburg	1%
Brice	1%	Marble Cliff	2%
Canal Winchester	2%	Obetz	2%
Groveport	2%		

Do I need to file?

You only need to file if any of the following apply:

1. You are a resident of Harrisburg and are **not** exempt from paying the tax. If you are exempt because you are under the age of 18 or only received pension income or military pay, and you are a resident of Harrisburg, you should call and request Form EX-1. *All non-exempt residents of Harrisburg are required to file a tax return.*
2. You earned income in a municipality listed in Table 1 from which city income tax was not fully and/or correctly withheld. (Multiply the largest wage figure shown on your W-2 by the tax rate of the appropriate city as shown in Table 1. If the withholding is correct, your result should equal the withholding shown in Box 19 of your W-2.)
3. You are a resident of one of the municipalities listed in Table 1 and engaged in a business or profession, including rental real estate, whether the business showed a profit or a loss.
4. You are a resident of one of the municipalities listed in Table 1 and your credit for taxes paid to your city of employment does not equal the tax due to your city of residence.

5. You were not a resident of one of the municipalities listed in Table 1, but you engaged in a business or profession in any of the municipalities listed in Table 1, whether the business showed a profit or loss.
6. You received a pre-printed tax form from our office for 2006 but are otherwise not required to file.

Can I use Form IR-25?

You can use Form IR-25 if you had income taxable to more than two of the municipalities listed in Table 1. Individual taxpayers seeking a refund for taxes withheld (except those based upon Employee Business Expenses) should phone and request Form IR-22, Page 2 of which is to be completed and attached to this form when filed.

Corporations (including S-corporations), partnerships, joint ventures, and fiduciaries (estates and trusts) must file using Form BR-25.

Can we file a joint return?

A husband and wife may file a joint return regardless of the filing method used on their federal return. Joint returns must be signed by both spouses and include both social security numbers.

When and where do I file?

This return must be filed on or before April 15th. An extension of time to file may be granted provided an extension request has been filed with the Income Tax Division by the original due date of the return. A copy of your Federal extension will be accepted as a city extension request if it is received by the City by the original due date of the return. However, if payment is required to be made with your extension request, City Form IR-42 must be used.

The Columbus Income Tax Division is located at 50 W. Gay Street, 4th Floor, Columbus, Ohio 43215.

Make checks payable to: **CITY TREASURER**
Mail to: **Columbus Income Tax Division**
PO Box 182158
Columbus, Ohio 43218-2158.

What if I file or pay late?

All municipalities listed in Table 1 impose penalties and interest on taxes remaining unpaid after April 15th. Thus, if you are unable to pay the full amount of tax owed, you should still file your return along with payment of as much of the tax due as possible.

Are there any special rules for refunds?

Refunds and credit carryforwards that are the result of an overpayment of estimated tax or the deduction of employee business expenses, may be requested using Form IR-25. You must attach a copy of your Federal Form 2106 to claim employee business expenses on Form IR-25.

If you are claiming a refund or credit as the result of incorrect withholding, your request should be filed on Form IR-22. If you cannot use Form IR-22 because you have income from more than two (2) cities, you must attach a completed copy of Page 2 of Form IR-22 to your Form IR-25 along with any supporting documentation indicated on Page 2 of Form IR-22.

- Refunds due you must be greater than \$1 or they will not be issued.
- Refunds of tax withheld in excess of the proper tax rate should be requested from your employer.
- There is a three (3) year statute of limitations for claiming a refund or credit of any overpayment of city tax.

What is taxable income?

For **RESIDENTS**, taxable income includes all salaries, wages, commissions and other compensation regardless of where it was earned. The income is taxable whether paid in cash, property or other consideration, including the reasonable value of meals, lodging and the like. You may reduce your taxable wage income by your allowable Form 2106 expenses. Taxable income also includes the net profits of all unincorporated businesses such as real estate and equipment rentals, sole proprietorships and your share of partnership income (whether distributed or not).

These unincorporated business profits are taxable regardless of where the business was conducted. You may be entitled to a credit for taxes paid to the city where your income was earned. If you are a partner in a partnership, you may be entitled to a credit for city taxes paid by the partnership.

For **NONRESIDENTS**, taxable income includes all salaries, wages, commissions and other compensation earned in any of the municipalities for which Columbus administers the income tax, after allowable Federal Form 2106 expenses. Taxable income also includes the net profits of all unincorporated businesses such as real estate and equipment rentals, sole proprietorships, and your share of partnership income (whether distributed or not) if the business was conducted in any of the municipalities for which Columbus administers the income tax.

Your city taxable wages are calculated before any deduction for such things like 401(k) deferrals. Treat disability income as wages unless it is received from Worker's Compensation or from insurance paid for by you. For city tax purposes, partnerships include LLCs and joint ventures.

Determine net profits from unincorporated business in accordance with the accounting method used for Federal income tax purposes. Any expenses claimed must be ordinary and necessary. Passive activity losses are deducted the year incurred: PAL carryforwards are not allowed for city tax purposes. In addition, net operating loss carryforwards and carrybacks are not permitted for city tax purposes.

If you are engaged in two or more unincorporated businesses in the same city, the net loss of one unincorporated business may be used to offset the profits of another for purposes of arriving at overall net profits from unincorporated businesses for that city. Only **residents** of the municipalities administered by Columbus may offset unincorporated business profits not reportable to any municipality but their city of residence with unincorporated business losses not reportable to any municipality (if the loss is reportable to a city with a lesser tax rate, a partial offset is allowed).

Shareholders in one or more subchapter S corporations do not report gains or losses from subchapter S interests. Subchapter S corporations are taxed at the corporate level for municipal tax purposes.

City taxable income does not include proceeds of insurance policies if the employee paid all the premiums. City taxable income also does not include compensation for personal injury and property damages. Expenses, costs, and losses incurred in connection with income not subject to city income tax may not be used to reduce your city taxable income.

What is taxable "Other Compensation"?

1. Bonuses.
2. Compensation paid in property or the use thereof at fair market value to the same extent as taxable for federal tax purposes and so indicated on the W-2 form.
3. Contributions made by or on behalf of employees to a qualified deferral plan (401K and the like) - taxed at year earned, deferral not permitted. Exception: employer matching contributions offered under a cafeteria plan are not taxable. Deferrals even under a cafeteria plan are always taxable.
4. Contributions made by or on behalf of employees to a tax-deferred annuity or stock purchase plan (includes any plan where employee has the option to defer).
5. Contributions made by or on behalf of employees to a non-qualified deferred compensation plan.
6. Cost of group term life insurance over \$50,000.00 (unless part of a cafeteria plan).
7. Director's fees.
8. Short-term disability pay if received as a benefit from employment (includes third party plan).
9. Adoption assistance payments (unless part of a cafeteria plan).
10. Excess employee discounts.
11. Golden parachute payments.
12. Income from guaranteed annual wage contracts.
13. Income from jury duty.

14. Income from wage continuation plans (includes retirement incentive plans and buy-outs).
15. Income received as a result of a covenant or agreement not to compete, which relates to employee wages.
16. Interest on below market loans.
17. Moving expense reimbursements (follow Federal rules but non-reimbursed expenses are not deductible).
18. Pre-retirement distributions from retirement plans (except previously taxed income from deferred plans).
19. Prizes, awards and gifts - if connected with employment.
20. Profit Sharing.
21. Royalties (unless derived from registered copyrights, patents or trademarks).
22. Severance pay.
23. Sick and/or vacation pay.
24. Stipends - if work required (vow of poverty not recognized).
25. Stock bonus incentive plans.
26. Stock options.
27. Strike benefits paid by employer.
28. Supplemental unemployment pay paid by employer.
29. Taxes paid by employer on employee's behalf.
30. Tips.
31. Union steward fees.

What are unincorporated businesses?

- a) Sole proprietorships – Schedule C, Federal Form 1040
- b) Rental properties - Schedule E, Federal Form 1040
- c) Partnerships, Joint Ventures and other type associations (These businesses file their own returns using Form BR-25; however, you must report your share of their city taxable income on your individual return if you are a partner.)
- d) Farm Net Income - Schedule F, Federal Form 1040

What income is not taxable?

1. Alimony.
2. Annuities - at time of distribution.
3. Capital gains.
4. Dividends.
5. Gambling winnings (losses not deductible).
6. Government allotments.
7. Housing for clergy.
8. Income earned while under 18 years of age.
9. Income from Foster Grandparent Program.
10. Income of religious, fraternal, charitable, scientific, literary or educational institutions to the extent that such income is derived from tax-exempt real estate, tax-exempt tangible or intangible property or tax-exempt activities.
11. Insurance benefits - unless your employer paid the premiums. (Pro-rating is allowed if you paid a portion of the premiums.)
12. Interest.
13. Meals and lodging required on premises.
14. Military pay including reserve pay.
15. Non-resident subchapter S corporation income to a resident shareholder (effective 1/1/03) is no longer subject to the tax.
16. Patent and copyright income.
17. Pension income - includes lump sum distributions.
18. Prizes - unless connected with employment.
19. Royalties - if derived from intangible property.

20. Salaries of the mentally retarded or developmentally disabled while working in a government funded workshop for less than minimum wage.
21. Social Security benefits.
22. State unemployment benefits.
23. Welfare payments.
24. Worker's Compensation.



This list is intended for reference purposes only. It may not be all inclusive and is subject to revision without notice.

Can I reduce my taxable wages with unincorporated business losses?

Only if you are a resident of Brice. All other municipalities administered by Columbus do not allow the net loss from an unincorporated business to be used to offset wages, salaries, commissions or other compensation.

Line-by-Line instructions for completing Form IR-25

Tax year

If not pre-printed on your form, be sure to indicate the tax year for which you are filing at the top of the return. Fiscal year taxpayers use beginning year of fiscal period as year of tax return, and fill-in the beginning and ending dates. Part-year residents should indicate when they were residents by completing the beginning and ending dates.

Name, Address and Social Security Number

Use the Preprinted Form. Using the preprinted form that was mailed to you will speed the processing of your return. It also prevents common errors that can delay refunds and result in unnecessary notices. Cross out any errors and print the correct information. Add any missing items, such as your apartment number. If the address on your preprinted form is not current, cross out your old address and print your new address. Be sure to enter the date of your move in the space provided.

What if I do not have a preprinted form? Print or type your name, address, and social security number in the space provided. If this is a joint return, print or type your spouse's name and social security number also.

Refund, Amended Return

If you are anticipating a refund for the year in which you are filing, place an "X" in the box marked **REFUND**.

If you are amending a tax year, place an "X" in the box marked **AMENDED** and be sure to indicate the tax year that you are amending in the space provided. If you are amending the City return based upon an amended return that you filed with the I.R.S., you must include a copy of the amended Federal return,

including any applicable schedules that pertain to the amendment. If you are filing an amended City return based upon an audit that the I.R.S. conducted, you must include documentation pertaining to the audit and note any changes that were made by the I.R.S. to reduce or increase your taxable income.

Other Information

The information requested here can help avoid notices being sent to you requesting additional information.

1. Indicate your filing status.
2. If you moved, enter the date of your move. Attach a statement to your return indicating your former address. If you are allocating your income as a result of your move, you will need to attach documentation to your return explaining the allocation (such as a copy of a paystub dated close to your move date).
3. If you are requesting the inactivation of your account, indicate the reason (taxes fully withheld by employer, sold business or rental property, etc.) and attach supporting documentation such as Federal Form 1040, W-2P or Statement of Social Security Earnings.
4. Enter your occupation. If you are self-employed, enter the nature of your business and your trade name.
5. Enter city or (cities) of residence for the year. For residency clarification, please call (614) 645-7370.
6. Enter the names of the cities in which you worked. If you worked in more than three (3) cities, attach a list of all the cities to the back of your return.

Part A: Taxable Wages

1. Indicate your employer(s) and the address(es) where you actually reported for work (this may differ from your employer's address printed on your Form W-2). If you run out of space, please attach an additional page.
2. Indicate city taxable wages from each employer.



Wages for city tax purposes may differ from the Federal wages reported on your W-2 (see Box 18 of your W-2 forms). City taxable wages include all wages that may be deferred or excluded from Federal and State taxable wages under 401 of the Internal Revenue Code. These deferrals appear in box 12 of your W-2 with codes D, E, F, G and S.

3. Employee business expenses as shown on Federal Form 2106 may be deducted. If income is allocated between cities, 2106 expenses should likewise be allocated. Copies of all Forms 2106 must be provided. To receive a deduction, Form 2106 must be required to be filed for Federal tax purposes. Federal Schedule A expenses are not deductible.
4. Indicate net wages after deduction of Form 2106 expenses (if applicable).



Your Form 2106 expenses may not exceed your earnings from the job to which the expenses relate.

Part B: Tax Calculation

Report all taxable income and withholding to the city where the income was earned. If income was earned in a non-tax area or a city that is not listed on this form, that income (with related withholding) should be reported to your city of residence.

The alternate city line is used by residents of the municipalities listed in Part B to report tax due to their resident city on income earned in another city listed in Part B with a lesser tax rate. For example, a resident of Columbus (a 2% city) working in Brice (a 1% village) would owe Columbus alternate city tax at a tax rate of 1%.

Column B - Enter all income from wages, salaries, commissions and other compensation net of Form 2106 expenses in this column.

Column C - Enter all income from net profits, rents and other taxable income. Individuals engaged in business or holding partnership interests should complete Parts C, D & E before completing Column C.

Column D - Enter total net taxable income from Columns B and/or C.

Column E - Multiply the figures in Column D by the appropriate tax rate(s).

Column F - Enter all of the following, if applicable:

- 1) city tax shown as withheld on the W-2's;
- 2) city tax paid directly to a city not listed on Form IR-25 (attach a copy of the return filed with that city); and
- 3) city tax paid on your behalf by a partnership (attach a copy of the K-1).

DO NOT enter declaration payments in this column: they are entered on Line 2 of Part B. You cannot claim credit for taxes withheld to the city of income that exceed:

- 1) that city's tax rate times that job's city taxable income after Form 2106 expenses; or
- 2) your resident city's tax rate times that job's city taxable income. Harrisburg residents may only take credit for tax withheld or paid to their city of residence.

Column G - For each city, subtract Column F from Column E.

Line 1 - Enter total of Column G. If greater than \$1.00, see instructions on filing form IR-21.

- Line 2 - Enter all declaration payments made during the current tax year and any overpayment carried forward from the prior year. Do not enter tax withheld or paid by a partnership on your behalf (see Column F).
- Line 3 - Subtract Line 2 from Line 1 to arrive at the net tax due. However, if the result is an overpayment, indicate amount with parentheses and carry to Line 6.
- Line 4 - Enter penalty, interest and late filing fees if applicable. All taxes unpaid after April 15th are subject to a 10% penalty. Taxes due Columbus, Brice, Canal Winchester, Harrisburg or Marble Cliff remaining unpaid after April 15th are subject to interest at a rate of .66% per month. The interest rate of 1.5% per month applies to all other administered municipalities.
- Line 5 - Enter total amount due - Line 3 plus Line 4. If tax due is less than \$1.00, no payment is necessary.
- Line 6 - Enter overpayment, if applicable, from Line 3 as a positive number (do not use parentheses).
- Line 6A - Enter amount of the overpayment from Line 6 you want credited to your next year's tax estimate.
- Line 6B - Enter the amount of the overpayment from Line 6 you want refunded. You must sign your return and attach all documentation for your refund to be issued.

Part C: Income from Sources other than Wages, Salaries, Commissions etc.

Taxable income from net profits should be entered into the proper city in the following manner:

- Column H - Enter net income (or loss) from Page 2, Part D, Line 21 or from Schedule Y if you are allocating your income. If you attached a copy of your Federal Schedule C in lieu of completing Part D on Page 2, enter your income from Schedule C. Schedule Y is used only if you engaged in business in more than one taxing district, and your records do not disclose with reasonable accuracy what portions of the net profits were earned in each taxing district. A Schedule Y is provided in your packet.
- Column I - Enter net income (or loss) from Page 2, Part E, Section 1, Line 6, or from your Federal Schedule E if attached in lieu of completing Part E.
- Column J - Enter your share of city taxable income from Page 2, Part E, Section 2, or from your Federal Schedule K-1 which must be attached to your return even if you attach Federal Schedule E.

- Column K - Enter total income (or loss) from Columns H through J. Carry income figure(s) shown in Column K to the appropriate city line(s) in Column C. If loss is indicated, enter zero in Column C. (Exception: Brice taxpayers may carry loss figure to Column B on the respective city line).

Sign Your Return

Form IR-25 is not considered a complete return unless you sign it and attach all W-2 statements and applicable federal tax documents. If you are filing a joint return, your spouse must also sign.

Paid Preparers Must Sign Your Return. Anyone you pay to prepare your return must sign and date it in the space provided, and provide their Federal employer identification number (EIN) or Social Security number (SSN). A paid preparer may not use a preparer tax identification number (PTIN) in lieu of an EIN or SSN.

Part D: Income From Self-Employment

The questions on Schedule C should be answered in full. List income and subtract expenses to determine net profit or loss from business or profession. A copy of your Federal Schedule C will be accepted in lieu of completion of Part D on Form IR-25.



All schedules and/or forms supporting the information listed should be attached to your tax return.

Part E: Rental, Partnership and S-Corp Income

Section 1: Income from Rents.

Enter income (loss) produced from rental property by providing the detailed information in the appropriate columns. Federal Form 1040, Schedule E should be provided on all property reported. Rental income is taxed first to the city in which the property is located, and then to your city of residence (if the allowable credit for taxes paid to the city where the property is located is not equal to or greater than the tax due your city of residence). If not located in any taxing city, income is taxed to owner's city of residence.

Section 2: Partnership / S-Corp Income

Partnership Income – Enter your share (whether or not distributed) of city taxable income of resident and non-resident partnerships. Federal Schedule E may be substituted only for non-resident partnerships not subject to city tax in any municipality (including municipalities not administered by Columbus). Partnership income is taxed first to the city in which the partnership's income producing activity is located. It is then taxed to your city of residence (if the allowable credit for taxes paid to the city where the partnership operated is not equal to or greater than the tax due your city of residence). If not located in any taxing city, income is taxed to partner's city of residence. Your share of city taxable income (and taxes paid) should be shown on page 2 of your Federal Schedule K-1 (contact general

partners if not shown). Partners may not reallocate partnership income that has been subject to allocation by the partnership.

S-Corporation Income – If you are a shareholder in one or more subchapter S corporations, do not report any S corporation gains or losses on this return. Subchapter S corporations are taxed at the corporate level for municipal tax purposes.

Instructions for Filing Form IR-21 - Declaration of Estimated Tax and Quarterly Payment Vouchers (Form IR-18)

Do I need to file?

If you anticipate owing city tax to any municipality listed on Form IR-21, or are a resident of one of the municipalities listed on Form IR-21 and are engaged in any unincorporated business, you must complete Form IR-21. Non-residents who are engaged in an unincorporated business operating in any municipality listed on Form IR-21 must also complete Form IR-21.

When and where do I file?

The declaration (Form IR-21) should be filed by April 15th. Your first quarter payment should be submitted with the declaration. No extensions of time to file or pay will be granted. Each subsequent quarterly payment should be filed using one of the vouchers (Forms IR-18) that came with your Form IR-21. Your second, third and fourth payments are due on July 31, October 31 and January 31, 2007. Each estimated tax payment must show a credit carryforward and/or be accompanied by a payment of at least one-fourth (1/4) of the total estimated tax shown on your declaration.

YOU WILL RECEIVE NO FURTHER NOTIFICATION OF PAYMENT DUE DATES FROM THIS OFFICE. IF YOU NEED ADDITIONAL PAYMENT VOUCHERS, YOU MAY DOWNLOAD THEM FROM OUR WEBSITE OR CALL (614) 645-7370.

Make your checks payable to: **CITY TREASURER**
Mail forms and checks to: **Columbus Income Tax Division**
PO Box 182158
Columbus, OH 43218-2158

AN AMENDED DECLARATION - may be filed by each quarterly due date to increase or decrease the original declaration as deemed necessary. Use form IR-21 and check the box marked "AMENDED" at the top right of the form. If an amended declaration is filed, the balance of the estimated tax, as amended, should be paid in equal installments on or before the remaining payment dates. If no amended declarations are filed, it shall be assumed that estimated income in the amount shown on the original declaration is earned ratably throughout the year. Documentation may be requested to verify the date and nature of unanticipated income resulting in the filing of an amended declaration of estimated tax.

What if I estimate incorrectly?

To be considered as filed in good faith and not subject to penalty and interest charges, your timely estimated tax payments must not be less than **90%** of the total tax liability shown in Column E of your final return. We will also consider timely estimated tax payments equal to your previous year's tax liability as filed in good faith, and thus not subject to penalty and interest. Failure to make timely estimated tax payments will result in penalty and interest assessments. A penalty of 10% and interest (rates vary by city) will be assessed on all estimated tax payments which are underpaid and/or not timely received. If tax is due to more than one city, each city is considered separately in the calculation and payment of a good faith estimate.

Line instructions for Form IR-21

Report all estimated taxable income and withholding to the city where the income will be earned. If income will be earned in a non-tax area or a city that is not listed on this form, that income (with related withholding) should be reported to your city of residence. You must assign estimated tax liability to the appropriate cities in order to qualify for the "good faith" exception to penalties and interest.

The alternate city line is used by residents of the municipalities listed on Form IR-21 to report estimated tax due to their resident city on income earned in another city listed on Form IR-21 with a lesser tax rate. For example, a resident of Columbus (a 2% city) working in Brice (a 1% village) would owe Columbus alternate city tax at a tax rate of 1%.

- Column B - Enter estimated wages net of Form 2106 expenses.
- Column C - Enter estimated income from net profits, rents and partnerships.
- Column D - For each city line, combine Columns B and C.
- Column E - Multiply the figures in Column D by the appropriate tax rate(s).
- Column F - Enter: 1) estimated W-2s withholding; 2) estimated city tax paid directly to a city not listed on Form IR-21; and/or 3) estimated city tax paid on your behalf by a partnership.
- Column G - For each city, subtract Column F from Column E.
- Line 2 - Enter any overpayment carried forward from the prior year. This credit may be applied entirely to the first installment or apportioned to each installment. Any balance due on each installment must be paid with the installment payment voucher.
- Line 5 - Divide Line 1 by 4 to determine the amount of each quarterly installment payment. The first payment due (less credits from overpayment of the prior year return however applied) should be shown on Line 5 and paid with this form.

Line instructions for Form IR-18

- Line 1 - Indicate amount of installment.
- Line 2 - Indicate amount of unused credit, if any, applied to installment.
- Line 3 - Amount of payment due (Line 1 less Line 2).

Rev. 11/3/2006